



OFFICE OF MAYOR JERRY SANDERS

FOR IMMEDIATE RELEASE

March 2, 2006

FACT SHEET

SANDERS ANNOUNCES OVERHAUL OF CITY'S TROUBLED REAL ESTATE ASSETS DEPARTMENT

***ON MAYOR'S ORDERS, CITY BEGINS TEAR DOWN OF INFAMOUS LA JOLLA
"RAT HOUSE" – THE EMBODIMENT OF CITY MISMANAGEMENT***

*Mayor Distinguishes Efforts of Dedicated Department
Employees from Management*

Mayor's Plan to Overhaul Real Estate Operations:

Mayor Sanders today announced his plan to get the City's Real Estate Assets Department (READ) back on track.

Within the next month, the City will:

1. Hire a top-tier professional that will lead a complete overhaul of READ.
2. Concurrently, the City will hire an experienced and knowledgeable consulting firm that will help the City devise new systems, so that the City can more efficiently and accurately:
 - Understand what property the City owns and what those properties are worth.
 - Understand what leases exist for those properties and how much money the City collects in rent.

The current READ property inventory system was developed in the 1980's. It makes it difficult to access information.

One month ago, Mayor Sanders hired seasoned real estate attorney Jim Waring as the City's new Deputy Chief Operating Officer for Land Use and Economic Development. An experienced developer and environmentalist, Waring will personally oversee the overhaul of READ.

Following those analyses, the Mayor will:

3. Establish policies for new leases & lease extensions so that they are done to maximize value for taxpayers.
 - Take a look at other local governmental models and “best practices” in the real estate industry to ensure the best model.
 - Consult and include stakeholders.

Until this happens, the City will take a “positive time out” and NOT issue any new leases nor will it agree to any long term lease renewals. The Mayor wants a comprehensive strategy in place before this happens.

4. Re-examine current City leases (some of which may have existed for 50+ years) to ensure that the City is collecting market rates to maximize revenue for the City.

All of the above overhaul plans will also apply to the sale of City land as well.

“Under very difficult circumstances, the employees of READ have done a tremendous job. They are heroes in my estimation. The City's management failed them – and the taxpayers -- miserably. They are the villains, not the honorable employees of this great City department.”

Mayor Jerry Sanders

Background on La Jolla “Rat House” 5635 Desert View Drive

- The City of San Diego has owned this property since 1992.
- The City bought the house as part of the settlement of a lawsuit in which the City was named as a defendant.
- In their lawsuit, the original owners of the home contended that the City negligently built and maintained the street and other public improvements near the house. The property owners sued the City and another neighbor after their home's foundation began to shift.
- Since 1992, the house has been vacant and in various states of disrepair.
- Neighbors have been upset that the house has stood vacant for so long because it is an eyesore and a potential fire hazard.
- Rats have run rampant around the property making it known as the “rat house.”
- Because the slope under the house is unstable, it is necessary to deconstruct the house.

The City identified the need to remove the structure in 1998, but funding was never identified for this purpose. Mayor Sanders identified funding within his first 90 days in office.

House will be “Deconstructed” and Elements Recycled

Consistent with the very best practices for constructing recycling, the City will deconstruct the home, which is different from a simple demolition.

With the goal of reducing landfill waste, the following items taken from the home will be recycled:

- All lumber
- Steel
- Concrete
- Copper piping
- All other materials that can be recycled.

The City has hired Whillock Construction to deconstruct the home. Whillock also bid on the project in 1998 and has documents dating back to that time. (In the 8 years since, the original project manager at Whillock has retired.)

The deconstruction is expected to take 45 days and cost \$90,595.

Following the deconstruction, the contractor will hydro-seed the slope for erosion control.

The future of the property will soon be determined.

Background on Real Estate Assets

- City owns 80,000 acres, making it one of the County’s major land owners
- The Department administers over 700 leases, some dating back over 50+ years
- 12 READ property agents oversee all City owned land
- Clients include many City departments: Police, Fire, Park & Rec., Water and Libraries
- City expects to collect \$63 million in FY06 from leases
- READ provides real estate valuation, relocation, acquisition and disposition services.